

# CRS Report for Congress

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## Taiwan in 2004: Elections, Referenda, and Other Democratic Challenges

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### Summary

In a low voter turnout in legislative elections on December 11, 2004, the opposition Nationalist Party (KMT) increased its legislative majority against the ruling Democratic Progressive Party (DPP). This means that DPP President Chen Shui-bian, who was re-elected to a second term on March 20, 2004, again will not be able to count on legislative support for his policies in his second and final term. In both the presidential and legislative election campaigns, Chen emphasized gaining a separate international identity for Taiwan — an emphasis to which Beijing strenuously objected as dangerously close to declaring Taiwan independence from China. While Chen's strategy appeared to gain the DPP electoral momentum in March, it may have had the opposite electoral effect in December. In response to his party's defeat at the polls, Chen resigned as DPP party chair on December 15, 2004. He is expected to have to moderate his policies and move closer to the political center for the rest of his term in order to regain public support and in an effort to ensure legislative support for his economic and other policy initiatives. Any move to dial down pro-independence rhetoric could ease tensions with Beijing and the concerns of U.S. policymakers.

As a presidential and legislative election year, 2004 may be viewed as an especially challenging one for Taiwan's future and for U.S.-Taiwan-PRC relations. Leaders from the People's Republic of China (PRC), who long have claimed Taiwan as a part of China, believe that incumbent president Chen Shui-bian's ultimate intention is to declare Taiwan independence. PRC leaders publicly have stated they would "pay any price," including taking military action, to prevent this, and in the past they have refused to negotiate with the Chen Administration. Official American views, while fully supportive of democratic processes in Taiwan and elsewhere, nevertheless have been tempered by U.S. commitments of military assistance to help Taiwan defend itself. U.S. officials remain deeply concerned about provocative actions on either side of the Taiwan Strait that might conceivably result in U.S. armed conflict with the PRC. As a result, U.S. officials throughout the year were seen to attempt to balance support for Taiwan with cautions that U.S. support was not unconditional.

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## The Two Major Election Contenders and Their Platforms

Taiwan's 2004 presidential and legislative elections were battles between two political coalitions — the “Pan-Blues” and the “Pan-Greens,” so named because of their respective party colors — that remained roughly equal in strength through the year. Each narrowly won one of the contests, illustrating the extent of the political divide within the Taiwan electorate.

**The “Pan-Greens” (DPP/TSU).** The incumbent president, Chen Shui-bian, is the leader of the Democratic Progressive Party (DPP), which was formed only in 1987 and is closely identified with advocating Taiwan independence. Chen’s first election victory in 2000 was historic, as he defeated the candidate of the Nationalist Party (KMT), which until then had ruled Taiwan for 50 years. Still, Chen’s “Pan-Green Coalition” — comprised of the DPP and the smaller Taiwan Solidarity Union (TSU) — has remained a minority in Taiwan’s KMT-controlled Legislative Yuan (LY) throughout Chen’s presidency. The LY routinely has blocked or modified Chen’s proposals, resulting in political gridlock and making it difficult for him to campaign in 2004 on his record of policy successes. Chen also had to perform a continuing balancing act between the radical base of his party — those who avidly support Taiwan’s independence — and the more cautious electorate in Taiwan (including the KMT) who believe that antagonizing the PRC is not in Taiwan’s interests. Chen and his DPP advisors attempted to address this contradiction by proclaiming a “new Taiwan identity” and emphasizing maintenance of the “status quo” — which they define as Taiwan’s de-facto sovereignty and statehood. While this strategy appeared to help Chen win a second presidential term in March 2004, it did not contribute to a DPP victory in legislative elections in December 2004. Beijing has objected strongly to DPP policies, believing that they are but a prelude to an eventual declaration of independence, which Beijing has stated it will “bear any cost” to prevent.

**The “Pan-Blues” (KMT/PFP).** The opposition “Pan-Blue Coalition” was cobbled from various remnants of the KMT after its shattering loss of power in 2000. The Pan-Blues include the remaining KMT party and a KMT splinter group, the People First Party (PFP). The KMT itself is politically conservative and strongly anti-communist. It is credited with engineering Taiwan’s astounding economic growth and transformation during its 50-year rule on the island. But the KMT’s reputation for corruption, its growing factionalism, and its inability to offer a clearer vision for Taiwan’s future in a changing world ultimately made it vulnerable to the DPP challenge.<sup>1</sup> In the March 2004 presidential campaign, the Pan-Blue Coalition portrayed itself as a more responsible steward for Taiwan’s future. It criticized the DPP’s posture toward Beijing as unnecessarily confrontational and promised to replace it with a policy of engagement. The KMT also portrayed Chen as insufficiently attentive to Taiwan’s business community and as a man who has difficulty getting things done — arguments facilitated by the gridlock between the Pan Blue-controlled legislature and the DPP executive branch. While the KMT coalition platform was not successful in preventing the re-election of DPP President Chen, it did contribute to an unexpected KMT victory in December’s legislative elections.

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<sup>1</sup> The traditional KMT policy held that there was only one China, that Taiwan was part of China, and that one day Taiwan would re-take the mainland and China would be reunified.

## The Presidential Election, March 20, 2004

On March 20, 2004, Chen Shui-bian was re-elected to a second term with the slim margin of 0.2% and under a series of highly unusual last-minute circumstances. The day before the elections, while campaigning in an open-roofed car in his hometown of Tainan, the President and his running mate, Annette Lu, were shot and slightly wounded by one or more assailants, still unknown. As a result of the shooting, President Chen invoked a national security protocol, placing 200,000 military and police personnel on emergency duty status. Finally, after the polls closed, Taiwan's Central Election Commission declared that 337,297 of the votes cast were invalid, reportedly due to uncertainties about whether polling places had followed consistent standards. Out of a reported total of 13.25 million votes cast, the incumbent won with only a 29,518 vote margin. Despite the narrowness of his election margin, Chen Shui-bian called his victory a "mandate" to continue his agenda to make Taiwan an "independent, sovereign country."<sup>2</sup>

The KMT challenged the election results as suspicious, called for a recount, and filed a separate lawsuit to nullify the results. KMT candidate Lien Chan maintained that the DPP victory had been "achieved under layer upon layer of suspicion."<sup>3</sup> The Party objected strongly to the high number of ballots judged invalid — more than 10 times Chen's margin of victory. Lien Chan also reinforced already rampant conspiracy theories about whether the assassination attempt on Chen was real or staged,<sup>4</sup> and questioned Chen's state-of-emergency declaration, which Lien said prevented 200,000 mobilized military and police officers from getting to the polls to vote.

For weeks after the election, tensions in Taiwan remained high. When the Central Election Commission certified Chen the winner on March 26, 2004, protesters scuffled with police and damaged the Commission's headquarters in the first of several large rallies held by the opposition. The stakes were further raised when a spokesman from the PRC, commenting on the protests, publicly warned "The mainland side will not look on unconcerned should the post-election situation in Taiwan go out of control...."<sup>5</sup>

**The Referendum Failure.** Also on March 20, 2004, Taiwan held a controversial and precedent-setting referendum which posed two questions: whether Taiwan should acquire more advanced anti-missile weapons if the PRC refuses to withdraw the missiles it has targeted on Taiwan; and whether the Taiwan government should engage in negotiations with the PRC on President Chen's proposed "peace and stability" framework for cross-strait interactions. The measures failed when only about 40% of the Taiwan electorate participated in the referendum vote, a rate insufficient to meet the 50% requirement for passage under Taiwan law. Although discussed periodically in Taiwan

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<sup>2</sup> Glenn Kessler, "U.S. Cautions Taiwan on Independence; President Is Warned not to Provoke China," *Washington Post*, April 22, 2004.

<sup>3</sup> Quote attributed to KMT candidate Lien Chan, in Keith Bradsher and Joseph Kahn, "Taiwan Leader Wins Re-election; Tally Is Disputed," *New York Times*, March 21, 2004.

<sup>4</sup> Lien Chan quoted by Alice Hung, "Taiwan High Court Seals Election Ballot Boxes," *Reuters*, March 21, 2004.

<sup>5</sup> Audra Ang, "China Warns It Will not 'Look On Unconcerned' if Taiwan Falls into Turmoil," citing a spokesman from the PRC's Taiwan Affairs Office, *Associated Press*, March 26, 2004.

over the years, a referendum never appeared realistic because of KMT concerns (and Beijing's strong objections) that it could set a precedent for an island-wide vote on Taiwan independence. Given Chen's strong support for it, its failure to pass was regarded as a major defeat for the DPP and a strong public rejection of government actions that could threaten the political status quo. Still, the referendum set a precedent for future such measures. Chen has stated that in 2006, he wants to hold a referendum to revise or replace Taiwan's constitution.

**Election Challenges.** In an attempt to address the election controversy, the parties spent weeks negotiating a recount, which ultimately sustained the electoral results. In addition, the KMT opposition filed a separate lawsuit before the Taiwan High Court to nullify the entire election. The KMT based its suit on questions about the credibility of the alleged assassination attempt on President Chen as well as questions about the effect that Chen's subsequent national emergency declaration may have had on voter turnout. On November 4, 2004, the High Court ruled against the KMT and in favor of upholding the election result. The KMT said it would appeal. On December 30, 2004, the High Court rejected a second KMT lawsuit to nullify the election. Again, KMT operatives said the party would appeal.

## Legislative Elections, December 11, 2004

DPP and TSU leaders projected that based on the "mandate" of their presidential victory in March 2004, they would make substantial gains in legislative elections on December 11, 2004, and win unprecedented legislative control that would allow them to implement President Chen's less moderate policies. Gaining legislative control, said Chen at a campaign rally, would allow him to "build Taiwan into a normal, complete, progressive, beautiful and great country."<sup>6</sup> In addition, early in December 2004, Chen pledged that after the elections he would replace "China" with "Taiwan" in the official names of Taiwan's state-owned enterprises, embassies, and overseas missions.

Many pre-election polls and December 11 exit polls suggested that the DPP was correct in its assessments of its legislative elections chances. But in what was clearly a shock to DPP/TSU party leaders, the opposition KMT retained slight legislative control. When the legislature is seated in February 2005, then, the opposition KMT coalition will have 114 members and the DPP coalition 101 members, with the remaining 10 seats in the 225 member body held by independents. DPP moderates blamed the loss on President Chen's "radically pro-independent" campaign rhetoric, and in a bow to this criticism, Chen resigned as DPP party chairman on December 15, 2004.<sup>7</sup> Observers of Taiwan's political scene suggest that the electoral rebuke by voters will force Chen to move to a more centrist position for his second and final presidential term. Some have also suggested that the continuation of divided government in Taiwan will mean continued policy gridlock and political infighting.

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<sup>6</sup> Jason Dean, "Taiwan Vote is All About China — Results May Bolster Chen's Push for Island's Separate Identity," *Asian Wall Street Journal*, Dec. 7, 2004.

<sup>7</sup> Kathrin Hille, "Taiwan's President Promises to End Political Infighting," *Financial Times*, Dec. 15, 2004.

## Policy Implications for the United States

Before both sets of Taiwan elections, U.S. officials were seen to be especially concerned about the extent and nature of pro-independence rhetoric that flavored the campaigns. Several issued periodic warnings to Taiwan officials to avoid provocative actions and statements that could lead to confrontation with China. As a result, some observers hold that the Bush Administration may be relieved at the outcome of legislative elections on the assumption that continued KMT legislative control will act as a brake on the DPP's pro-independence aspirations. Some Members of Congress support this view, seeing expressions of official U.S. caution as a much-needed restraint on Taiwan. They see current trends in Taiwan as a risky business that could endanger regional stability and harm U.S. security interests. But others in Congress maintain that the United States should offer stronger support to the democratically elected DPP government because to do otherwise is incompatible with American democratic values. These congressional views were expressed in a March 2004 Dear Colleague letter expressing support for democratic processes in Taiwan and for the democratic rights of the Taiwan people.<sup>8</sup>

**Implications of Continued Divided Government.** As during his first term, President Chen again will not be able to count on legislative support for his policy initiatives. This will be disappointing to Americans who support — but gratifying to those who oppose — President Chen's policy goals that are judged to push the edge of the envelope on the independence question. These goals include substantial constitutional revision; substitution of "Taiwan" for "China" in official titles; continued references to Taiwan sovereignty; and efforts to join the United Nations. A KMT-controlled legislature is more likely to be unsupportive of these DPP goals, thus potentially lowering the prospects of confrontation with China.

But continued divided government in Taiwan also means that policy fractiousness and unpredictability may keep Taiwan politics in gridlock for the next four years. In seeking to deny credit to the DPP and build momentum for its own party in the 2008 presidential elections, a KMT-controlled legislature may be unwilling to support other needed policies initiated by the DPP: infrastructure improvements, banking sector reforms, and other economic programs. Some fear that lagging U.S. arms purchases by Taiwan — already a sore point in U.S.-Taiwan relations — may continue in such a scenario, with a KMT-controlled legislature remaining opposed to passing a special \$18 billion arms acquisition budget put forward by the DPP for making such purchases.<sup>9</sup>

**Effects on Party Politics.** The December elections also highlighted the fragility of the Pan-Blue and Pan-Green party coalitions. Prior to the elections, former President Lee Teng-hui, key adviser and founder of the DPP's radical coalition partner, publicly criticized the DPP as "stupid" for estimating that the TSU would win 16 to 18 seats. Lee

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<sup>8</sup> The Dear Colleague letter was initiated by Representatives Peter Deutsch and Dana Rohrabacher on March 11, 2004.

<sup>9</sup> In response to a press question on December 13, 2004, U.S. spokesman Richard Boucher said he would not speculate on how the legislative outcome would affect Taiwan's approval of U.S. weapons purchases.

maintained that the TSU would win “at least” 25 seats.<sup>10</sup> The TSU’s failure to achieve this (its 12 winning candidates were a one-seat loss) may further strain relations between the Pan-Green partners. Likewise, in the Pan-Blue camp, PFP Chairman James Soong publicly charged that some good PFP candidates had lost because the KMT had withdrawn support from them.<sup>11</sup> He questioned the PFP’s relations with the KMT, saying “Because of our unconditional support for the KMT, we have lost our identity and almost became a marginal party.”<sup>12</sup> Soong intimated that a long-discussed merger between the KMT and PFP (expected in February 2005) may be in jeopardy — a sentiment that KMT officials quickly dismissed. In such an environment, U.S. officials may find it harder to predict Taiwan’s policy direction and more difficult to manage U.S.-Taiwan relations.

**Implications for DPP Policies.** Some suggest President Chen made a key political misstep in assuming that his marginal March 2004 victory had given him a mandate to pursue a more aggressive political agenda. According to this group, Chen missed the message sent by the public’s rejection of a DPP-supported referendum on the March 2004 ballot, and he leaned too far in the direction of the more radical element in his political base. The legislative election results represented a serious rebuke by voters of a more confrontational DPP approach, these observers say, and this message now will force Chen to move to a more centrist position for his second and final presidential term. From the U.S. standpoint, the DPP loss may give the Bush Administration more leverage with President Chen, who some charge has all but ignored U.S. concerns over Taiwan’s policy direction in recent years. Some suggest that U.S. officials now can credibly ask how Chen can expect American policymakers to support a more radical DPP direction when Taiwan voters do not appear to support it. The White House also may be able to cite the December election outcome to refute congressional arguments that the majority of the Taiwan people reject unification with China and support DPP independence aspirations.

**Implications for Relations with Beijing.** Early speculation is that Beijing now may find less incentive to deal with Chen and the DPP or to make concessions to the current government. PRC officials speaking after the election criticized Chen as “the source of chaos” in Asia and claimed that the election results show that the pro-independence view is unpopular in Taiwan.<sup>13</sup> Should this hardline stance continue, PRC officials may be able to use the Taiwan election outcome to criticize American policymakers who push for Taiwan’s enhanced international status, claiming these U.S. officials are out of step with the Taiwan polity.

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<sup>10</sup> Jacky Hsu, in *South China Morning Post*, Dec. 11, 2004, p. 4.

<sup>11</sup> The KMT picked up 11 extra seats in the December elections, taking it from 68 in the previous legislature to 79 in the new body. Speaking on December 13, 2004, Soong claims these victories came at PFP expense, which lost 12 seats in the elections, reducing its seats from 46 to 34.

<sup>12</sup> Caroline Hong, “PFP rips into KMT over Election.” in *Taipei Times*, Dec. 14, 2004.

<sup>13</sup> Jacky Hsu and Nailene Chou Wiest, “Chen Branded ‘Source of Chaos’ in the Region; Beijing Says the Election Result Is Proof that Taiwanese Want Peace and Stability,” *South China Morning Post*, Dec. 16, 2004.